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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1946.

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No. **607**  
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CHICAGO PNEUMATIC TOOL COMPANY, a corporation of New  
Jersey, and CHICAGO PNEUMATIC TOOL COMPANY, a cor-  
poration of Massachusetts, *Petitioners,*

v.

HUGHES TOOL COMPANY, *Respondent.*

—  
**PETITION FOR WRIT OF CERTIORARI TO THE  
UNITED STATES CIRCUIT COURT OF APPEALS  
FOR THE THIRD CIRCUIT AND BRIEF IN SUP-  
PORT THEREOF.**

✓  
✓ WILLIAM F. HALL,  
✓ WILLIAM S. POTTER,  
*Attorneys for Petitioners.*

✓  
RAYMOND G. MULLER,  
*Of Counsel.*

THE HISTORY OF THE

REIGN OF

CHARLES THE FIRST

BY

JOHN BURNET

OF THE UNIVERSITY OF OXFORD

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v.

HUGHES TOOL COMPANY, *Respondent*.

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**PETITION FOR WRIT OF CERTIORARI TO THE  
UNITED STATES CIRCUIT COURT OF APPEALS  
FOR THE THIRD CIRCUIT.**

---

*To the Honorable the Chief Justice and Associate Justices  
of the Supreme Court of the United States:*

Your petitioners pray that a writ of certiorari issue to review the affirmance by the Circuit Court of Appeals of the United States for the Third Circuit of a decree of the District Court of the United States for the District of Delaware in the above-entitled case and in support thereof show as follows:

A certified transcript of the record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in compliance with Rule 38 of this Court.

### **JURISDICTIONAL STATEMENT.**

Jurisdiction is invoked under Section 240(a) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C. 347). The case arose under the Patent Laws of the United States and under the Declaratory Judgment Act (28 U. S. C. 400). The judgment of which review is sought is that of the Circuit Court of Appeals for the Third Circuit, dated August 26, 1946 (Tr. 89) and is final in that it affirms the judgment of the District Court dismissing count 3 of the complaint; the remaining counts were also dismissed by the District Court but no appeal was taken in respect thereto.

### **SUMMARY STATEMENT OF MATTERS INVOLVED.**

August 24, 1944 petitioners filed in the District Court for the District of Delaware an action under the Declaratory Judgment Act (28 U. S. C. 400) in which the claims for relief are stated in three counts.

October 2, 1944, the defendant moved (Tr. 35) to strike portions of the complaint, to dismiss the entire complaint, and for summary judgment as to counts 1 and 2 thereof.

September 11, 1945, the District Court, for the reasons set forth in his opinion (Tr. 40-45) dismissed the complaint (Tr. 45).

Count 3 was dismissed "for failure of an actual controversy between the parties" (Tr. 43) based on respondent's motion:

"4. To dismiss because there is no actual controversy of a substantial character, as required by the Declaratory Judgment Act (28 U. S. C. 400)." (Tr. 35)

An appeal was prosecuted to the Circuit Court of Appeals for the Third Circuit only from the part of the

District Court's order dismissing count 3. The points relied upon on the appeal are stated (Tr. 46).

August 26, 1946 the Appellate Court filed a *per curiam* opinion affirming the judgment of the District Court. (Tr. 88.)

The respondent, Hughes Tool Company, is a corporation of the State of Delaware. It is the successor of Hughes Tool Company, a corporation of the State of Texas.

These corporations for more than a generation have maintained a practical monopoly in this country (with the exception of petitioners' sale to the United States government for Lend-Lease purposes during the combat period of World War II) of the manufacture and marketing of rotary roller drill-bits, primarily used in the petroleum industry, which are characterized by a bit-head intended to have its upper end coupled to the lower end of a drill-stem and having at its lower end downwardly and inwardly extending shafts, or spindles, each forming a support upon which is rotatably mounted a cutter having a generally truncated conical-shape periphery provided with circumferentially and longitudinally running rows of teeth, and an axial, shaft-receiving, bore opening out through its larger, or base, end.

For a great many years in drill-bit assemblies the cutter rotated on a bushing secured to the shaft and having a truncated conical periphery complementary to the wall of the bore of the cutter. Means were provided to prevent the cutter from accidentally becoming detached from the bushing as it rotated about the same with the aforesaid complementary surfaces in frictional contact. These surfaces were lubricated by a heavy petroleum lubricant, or by the flushing medium pumped down through the drill-stem primarily used for carrying the detritus at the bottom of the bore hole to a sump located at the surface of the ground adjacent the drilling derrick.

Patent 1,856,627, Fletcher, having an effective date of May 24, 1927 (Tr. 51) illustrates this manner of mounting

the cutters on the drill-bit head. In this patent 3 designates the lower part of this head.

Fletcher's invention resides in attaching individual teeth 7, individually to the body 4 of the cutter, as by a butt welding operation. It is asserted that many advantages are, or can be, derived from this scheme. In the commercial cutters the teeth are not so attached but are formed in one piece with the cutter-body. The Fletcher patent, however, illustrates the conventional way of mounting the cutters on their supporting shafts which was used prior to the adoption of anti-friction means and an associated "pilot pin" exemplified in petitioners' cutter assemblies and in respondent's patents other than Fletcher, with which petitioners are particularly concerned.

This construction is disclosed in the Scott patent 2,011,084 (Tr. 63), the Garfield patent 1,983,283, December 4, 1934 (Tr. 54), and the Garfield and Scott patent 2,030,442, February 11, 1936 (Tr. 61). Garfield 1,983,283 is a *species* patent in respect to the *genus* Garfield and Scott patent 2,030,442.

The structures of the Fletcher, the Scott, and the Garfield and Scott patents are disclosed in *Williams Iron Works Co. v. Hughes Tool Co.*, 109 Fed. 2d 500, decided January 13, 1940, later referred to.

In *Hughes Tool Co. v. United Machine Co.*, decided January 14, 1939, 35 F. Supp. 879, all the claims of the Fletcher and Garfield patents, and all of the claims there in suit (1 and 7 to 15) of the Garfield and Scott patent, were found to be valid and infringed. The Court also found claims 6, 7 and 8, which were the only ones relied upon of the Scott patent 2,011,084, valid and infringed.

Patent 1,983,283 is a *species* patent because it discloses and claims only a cutter shaft which initially is in two parts. Its inner end, termed a "bearing pilot 9," is formed of a plug which is of harder material than the remainder of the shaft, and is driven in a socket, in the end of the latter. Claim 3 of the patent, which may be taken as typical, is clearly *limited* to this inserted pin.

The Garfield and Scott patent 2,030,442 is a *genus* patent to 1,983,283 because its claims, of which 6 and 12 may be taken as typical, are not so limited. They are sufficiently broad to cover either the inserted pilot pin, or a pilot pin at all times integral with the remainder of the shaft. In other words, said claims cover the species disclosed in *both* patents.

Patent 2,030,442 says:

"The cutter shafts are approximately cylindrical but are tapered slightly toward the end and are stepped down at the end to form a pilot pin 8 of smaller diameter thereon, integral with the shaft."

As to the bearings for the cutter, both of the latter patents differ from the disclosure in the earlier Scott patent 2,011,084 in but two respects: (a) the inner row of balls 7, with its function, of patent 2,011,084 is eliminated; and (b) for the balls 10 of the outer row of anti-friction bearings the cylinder type of bearing is substituted.

In the *United Machine Co.* case, *supra*, the Court said that the Scott patent 2,011,084 "shows a combination in which the shaft upon which the cutter is mounted has a transverse opening for the insertion of ball bearings" (the opening is designated 13 and the balls are designated 9, Tr. 63) which serve not only as anti-friction bearings but also for retaining the cutter on its shaft.

In sustaining all of the claims of the Garfield patent 1,983,283 the Court said that it pertained particularly to a combination which includes the cutter-shaft construction, i.e., bearing pin made of hard, abrasive-resisting, material driven in a socket in the inner end of the remainder of the shaft.

In *Williams Iron Works Co. v. Hughes Tool Co.*, 109 Fed. 2d 500, the Fletcher patent 1,856,627 is sustained. The Court found invalid claims 7 and 8 of the Scott patent 2,011,084.

In the same opinion the Garfield and Scott drill-bit (patent 2,030,442) is pictured, the article described, claim 3 dis-

cussed in detail, the salient features of all of the claims pointed out, and claims 1 to 15 found valid and infringed.

From the foregoing it is manifest that the only possible differentiating features of patents 1,983,283 and 2,030,442 as compared with patent 2,011,084, are (a) the elimination, with its function, of the row of balls 7 (Tr. 63), and (b) the substitution for the row of balls 10 (Tr. 63) of a row of rollers as anti-friction members.

109 Fed. 2d was published in early 1940. Thus at least as early thereas respondent was proclaiming to the industry that it was the owner of the Fletcher patent and the Garfield and Scott patent 2,030,442, and that all of the claims of both were valid.

35 F. Supp. was published in 1941. As early thereas respondent was proclaiming to the industry that it owned the Fletcher, Scott,<sup>1</sup> Garfield, and Garfield and Scott patents, and that their claims are valid.

The structures patented by these patents are of such simplicity and the holdings aforesaid of validity are so certain that no one in the industry could entertain a doubt as to the monopolies accorded respondent at bar.

Claim 3 of Garfield 1,983,283 reads:

"3. A drill bit including a head, shafts projecting downwardly from said head, bearing races formed on the periphery of each of said shafts, one adjacent said head to receive bearing rollers and one spaced therefrom to receive a row of balls, an inserted cylindrical projection on the end of said shaft, a cutter fitting over the end of said shaft and having interior raceways therein to receive said rollers and said balls, said balls acting to hold said cutter in position on said shaft."

Claims 6 and 12 of Garfield and Scott read:

"6. A roller bearing having a roller raceway and a ball raceway; a cutter on said bearing and having a roller raceway and a ball raceway; rollers in said roller

---

<sup>1</sup> Respondent has disclaimed claims 7 and 8 of this patent (Tr. 65.).

raceways; and balls in said ball raceways; said balls serving to rotatably lock said cutters on said bearings."

"12. A cup-shaped roller cutter, having an internal roller raceway adjacent its rim, and an internal ball raceway adjacent its bottom."

Chicago Pneumatic Tool Company of New Jersey is a corporation of New Jersey, and Chicago Pneumatic Tool Company of Massachusetts is a corporation of Massachusetts.

For over a decade the former has been engaged in manufacturing and marketing a variety of articles sold to the oil drilling industry. More than a decade ago it started to manufacture and market rotary roller drill-bits including a bit-head having inwardly and downwardly extending shafts, upon each of which is mounted a peripherally toothed truncated conical cutter rotating upon spaced apart rows of anti-friction bearings and a cylindrical pilot pin forming the inner end of the cutter shaft; the periphery of the pin being coated with a wear-resistant material such as tungsten-carbide.

The drill-bit assemblies having the structures aforesaid, manufactured and marketed by petitioners throughout the last decade, are illustrated and described in Exhibits I (Tr. 13-17); K, L (Tr. 18-22); M, N (Tr. 23-26); P, Q and R (Tr. 28-34).

To buyers located in certain limited territories the New Jersey corporation made direct sales. Sales were made to buyers located elsewhere by the Massachusetts corporation; the articles sold being purchased from the New Jersey corporation.

This practice was followed as to the drill-bit assemblies just identified and parts therefor.

In determining this petition, it is unnecessary to look beyond Garfield 1,983,283 and Garfield and Scott 2,030,442, the litigations aforesaid in which they have been involved, petitioners' assemblies Exhibits I, K, L, M, N, P, Q,

and R, and the patent infringement notice now to be referred to.

In April 1935 respondent notified petitioners that they were infringing, *inter alia*, patent 1,983,283 (Tr. 6). This notice called specific attention to the fact that the patent had claims covering the rollers and balls and requested that consideration be given to "the common interchangeability" of such anti-friction members (Tr. 6). Specific attention was also called to the inserted pilot pin (Tr. 6).

At this time petitioners were manufacturing and marketing the article pictured in Exhibit K, aforesaid, and described in Exhibit L, and pictured and described in their Reed patent, Exhibit I. The significance of the request that consideration be given to the "common interchangeability" of the balls and rollers is that in petitioners' drill assembly, of the exhibits last referred to, the members of the row of anti-friction bearings at the base of each cutter are of the ball type, whereas the members of the spaced apart row of anti-friction bearings are of the roller type. In the respondent's patent 1,983,283 this arrangement is reversed, i.e., the anti-friction members at the base of the cutter are of the roller type and the members of the spaced apart row are of the ball type. This made it plain that in respondent's view infringement of the Garfield patent 1,983,283 could not be escaped by reversing the positions of these two well known types of anti-friction members. This applies also to patent 2,030,442.

In the Exhibit M assembly, cylindrical rollers are used as the anti-friction members contiguous the base of the cutter and truncated conical rollers in the spaced apart row of anti-friction members.

In assembly Exhibit P cylindrical flanged rollers are used as the anti-friction members contiguous the cutter base and balls are used in the row midway of the length of the cutter as bearing members and for retaining the cutter on its shaft.

In petitioners' assemblies each cutter-shaft is made of two initially separate sections, with the inner end of the

inner section forming a pilot pin. However, the entire shaft is made of steel of uniform hardness. The periphery of the pilot pin is provided with a coating of wear-resisting material. There is no inserted plug of relatively hard metal as in patent 1,983,283.

The assembly of Exhibit K is substantially that of Exhibit I which discloses, in somewhat greater detail, the cutter supporting unit and the means for detachably attaching it to the bit head. Both Exhibits I and K disclose a three-cutter type of bit head. The effective date of petitioners' patent Exhibit I is March 26, 1935, substantially contemporaneous with respondent's first written infringement notice.

Respondent has never recanted the view set forth in that notice either as to the "common interchangeability" of one type of rolling bearing for another, or otherwise.

Indeed, in January 1939 respondent in a letter (Tr. 7) sent to petitioners again asserted that the latter were infringing, *inter alia*, the Fletcher patent 1,856,627. The units being manufactured and marketed by petitioners at that date were in all substantial respects the same as those disclosed in Exhibits M and N (Tr. 23, 24).

Again in the latter part of 1942 an omnibus charge was made by, or on behalf of, respondent (Tr. 9) that petitioner Chicago Pneumatic Tool Company of Massachusetts was infringing its patents.<sup>1</sup> The parts of all the assemblies, or sub-assemblies, to which this omnibus charge was directed were manufactured by Chicago Pneumatic Tool Company of New Jersey (Tr. 9).

About July 1938 the unit illustrated in Exhibit M and described in Exhibit N (Tr. 23, 24) was substituted for the unit of Exhibits I and K, and with this change the manufacturing and marketing was continued. From early 1937 to July 1938 the teeth of the cutters of Exhibit M instead of being of the "pick point" type as illustrated in Exhibit

<sup>1</sup> Many listed (Tr. 9) including the Fletcher, Garfield, and Garfield and Scott patents.

M were, in the apex zone of the cutter, of uniform taper, as shown by the tooth designated "bit E" in Exhibit O (Tr. 5, 27). The shape of the individual tooth is irrelevant on this petition.

Continuously from the latter part of 1942 until at least as late as the filing of the complaint herein petitioners manufactured and sold to the United States Government substantially their whole production of drill bit assemblies and parts (Tr. 5). These were in construction as illustrated in Exhibits P and Q (Tr. 28, 29) and described in Exhibit R (Tr. 30).

They were shipped by the Government in fulfillment of a Lend-Lease arrangement, to one, or more, of our Allies in World War II (Tr. 5).

Petitioners marketed in this country (Tr. 5, 6) in the early part of 1942 a few sets of these assemblies which were incorporated in bit heads of the construction shown in Exhibit P (Tr. 28) and were then successfully used in some of the oil fields in this country to respondent's knowledge (Tr. 5, 6).

The three types of petitioners' assembly before described, to-wit, Exhibits I and K (Tr. 13-18), Exhibit M (Tr. 23), and Exhibit P (Tr. 28), all show in common a bit-head having downwardly and inwardly extending cutter shafts made in two parts, a cutter associated with each shaft, at least two spaced apart rows of rolling, or anti-friction bearings, interposed between the shaft and the wall of the cutter-bore and a pilot pin forming the innermost end of the shaft and extending into a socket, at the inner end of the bore, the cylindrical wall of which frictionally engages the peripheral wall of the pin.

There has been no change since the date of respondent's April 1935 notice which removed petitioners' assemblies further from that of the Garfield patent 1,983,283 or the Garfield and Scott patent 2,030,442 than the assemblies disclosed in Exhibits I and K aforesaid which, as stated, were being made and marketed when the notice was received.

For some time preceding the filing of the complaint the general welfare of the country required that extensive exploratory work should be carried on for locating and making available additional petroleum deposits, and petitioners were urged by the Petroleum Administration of the United States government to employ to the utmost their facilities for manufacturing and marketing its drill bit assembly. (Tr. 11). At the time the complaint was filed petitioners were prepared to do this, and then had, and now have, ample equipment and facilities for performing this work, and would have done so, and would now do so, were they not deterred by the effect respondent's patents, infringing notice, and litigations, as aforesaid, will have on the potential buyers of petitioners' products, and the probability that should petitioners succeed in establishing a successful and substantial business in manufacturing and in selling to the well drilling industry in this country drill-bit assemblies substantially as illustrated and described in Exhibits P, J and R, the respondent at such time as it might elect would file one, or more, patent infringement suits under its patents against petitioners or the users of their equipment.

### **QUESTIONS PRESENTED.**

Did the Courts below err:

(1) In treating the earliest notice of infringement separately from the other facts averred in the complaint and from the facts of which the Court could take judicial notice and in holding, in effect, that said notice was of no value as an item for establishing an "actual controversy" within the purview of the Declaratory Judgment Act, because of the time-lapse between the receipt of the notice and the filing of the declaratory judgment action?

(2) In holding that in respect to an "actual controversy" in a declaratory judgment action, there is a material difference between a patent-owner-defendant, proponent of a mo-

tion to dismiss the complaint in such action, who as an alternative to suit under his patent offers to grant a putative infringer a license, and a patent owner who maintains a closed monopoly under his patent and who demands the abandonment of the putative infringing device as the sole alternative to an infringement action?

(3) In finding that the unreversed judgment of the District Court of the Northern District of Texas and the judgment of the Circuit Court of Appeals of the Tenth Judicial Circuit, holding patents 1,983,283 and 2,030,442 valid and infringed, the opinions in which are reported 35 F. Supp. 879 and 109 Fed. 2d 500, such opinions disclosing the patented inventions, stating the claims declared upon, and giving the disposition thereof, are insufficient for establishing an actual controversy in the declaratory judgment action brought by petitioners in the Third Judicial Circuit against respondent, the owner of said patents, when coupled with proof that petitioners were making and marketing at the date of said judgments and ever since up to the filing of such declaratory judgment action an article, or apparatus, for performing the function of that of the patents and within the terms of the claims adjudged valid, and are prepared to continue such manufacture and marketing, and would do so were they not deterred by the sales resistance arising out of said adjudications and the probability that at some subsequent date, within the life of the patents, and after they have established a large and profitable business, respondent will bring suit against petitioners under R. S. 4921, in the judicial circuits where the patents have already been sustained?

(4) In holding that the written notice of infringement of April, 1935, sent petitioners by respondent, the notice of January, 1939,<sup>1</sup> and the "omnibus" notice of 1942, as averred in the complaint, with proof of petitioners' continuing acts of manufacture and marketing as averred in said

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<sup>1</sup> As to the Fletcher patent.

complaint, are not sufficient to establish an actual controversy within the purview of 28 U.S.C. 4001

**REASON RELIED ON FOR THE ALLOWANCE OF  
THE WRIT.**

An important question of federal law has been decided by the Circuit Court of Appeals, improperly, we submit, and in a way probably in conflict with decisions of other Circuit Courts of Appeals, with its own earlier decisions, and with applicable decisions of this Court, which question has not been, but should be, settled by this Court.

WHEREFORE, it is respectfully submitted that this petition for a writ of certiorari to review the decree of the Circuit Court of Appeals for the Third Circuit should be granted.

WILLIAM F. HALL,  
WILLIAM S. POTTER,  
*Attorneys for Petitioners.*



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No. ....

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HUGHES TOOL COMPANY, *Respondent*.

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**BRIEF IN SUPPORT OF PETITION.**

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**Opinions of the Courts Below.**

The opinion of the District Court is reported 61 F. Supp. 767. It also appears in the transcript at pages 40-45. The *per curiam* opinion of the Circuit Court of Appeals, filed August 26, 1946, is not reported, but appears at pages 88-89 of the transcript.

**Jurisdiction.**

The jurisdictional statement appears at page 2 of the foregoing petition.

### Statement of the Case.

The foregoing petition contains a summary statement of the case and the reason relied on for the allowance of the writ.

### Specification of Errors.

If the writ of certiorari is issued, petitioners desire to argue that the Circuit Court of Appeals erred;

(1) In giving the Declaratory Judgment Act (28 U. S. C. 400) an illiberal instead of a liberal construction as to what constitutes an actual controversy.

(2) In treating respondent's infringement notice of April, 1935, apart from and independently of respondent's patent infringement suits against United Machine Company and Williams Iron Works Company (the first of which was decided January 14, 1939, by the District Court for the Northern District of Texas, Fort Worth Division, and is reported 35 F. Supp. 879, and the second of which was decided February 27, 1939, by the District Court for the District of Oklahoma, and its judgment modified by the Circuit Court of Appeals for the Tenth Circuit, to the extent of adjudging claims 7 and 8 of the Scott patent 2,011,084 invalid for want of invention, in an opinion dated January 13, 1940, reported 109 Fed. 2d 500), and in holding that such notice,—

“\* \* \* should rest in peace. The day for justiciable resurrection has long since passed. Here, in the present, no charge appears that the three-cutter assembly represented by PX. P, Q and R infringes any of defendant's patents \* \* \*.”

(3) In holding that the rule enunciated by the Circuit Court of Appeals for the Third Circuit in *Dewey & Almy Chemical Co. v. American Anode*, 137 Fed. 2d 68, is inapplicable to the case at bar because in the former the patent owner, defendant in the declaratory judgment action, in-

stituted suits only against putative infringers who had spurned a license, whereas in the case at bar the patent owner maintained a closed monopoly in respect to his patents; did not offer to license anyone.

(4) In failing to find that the successful suits aforesaid prosecuted by respondent under its patents, and more particularly the Garfield patent 1,983,283 and the Garfield and Scott patent 2,030,442, the claims of the latter having a "genus" relation to the former, considered in connection with the articles continuously manufactured and marketed by petitioners from at least as early as 1935 to the filing of the declaratory judgment action, and particularly the article illustrated in Exhibits P and Q and described in Exhibit R, petitioners' entire production of which was furnished to the United States government in the period commencing as early as the latter part of 1942 and continuing to at least as late as the filing of the declaratory judgment action, and the averment in the complaint that petitioners would use their equipment for supplying private industry with the assembly of said exhibit were they not deterred from so doing by the sales resistance arising out of said adjudications and the probability that after establishing a substantial business they, or their customers, would be sued for infringement in the districts where the patents have been sustained, sufficiently constitute an "actual controversy" under the Declaratory Judgment Act.

(5) In finding that the notice of April, 1935, that of January, 1939, and the "omnibus" charge of 1942, are insufficient, in connection with petitioners' manufacture and marketing as averred in the complaint, for establishing an "actual controversy" under the Declaratory Judgment Act.

**ARGUMENT.**

In the determination of this petition, it is unnecessary for the Court to consider respondent's patents other than Garfield 1,983,283 and Garfield and Scott 2,030,442.<sup>1</sup> As has been stated, these patents bear to each other the relation of "species" and "genus." If a drill-bit assembly infringes the species patent, *a fortiori* it must infringe the genus patent, if valid.

The Complaint avers that at different times within the period commencing prior to April, 1935, and continuing to the date of filing of the declaratory judgment action, petitioners manufactured and marketed several types of drill-bit units, all having in common, or all characterized by, (a) a cutter shaft initially made in two sections and having a cylindrical pilot pin at its inner end; and (b) a cutter mounted on said shaft rotating in frictional contact with the "pilot pin" and also rotating upon a row of rolling bearings located at the base of the cutter and on a second row of rolling bearings located about mid-way of the length of the cutter. The latter, in addition to its anti-friction bearing function, serves for retaining the cutter on its shaft.

This structure, or organization, respondent by at least two distinct acts<sup>2</sup> has asserted is dominated by the claims of said patents. The acts are (a) the institution and successful maintenance of the suits aforesaid for infringement of said patents, and (b) the sending to petitioners of the written notice of April, 1935, asserting infringement and postulating the view that the reversal in position of the rows of anti-friction bearings of Exhibits I and K, as compared with the arrangement shown in said patents, would not avoid infringement.

In brief, respondent advanced the view that the substitution of roller bearings for ball bearings at the base of the

<sup>1</sup> This is not to be taken as an abandonment of the action as to the Fletcher patent.

<sup>2</sup> In addition, there is the "omnibus" infringement charge of 1942.

cutter, and ball bearings for roller bearings midway of the length of the cutter, would not avoid infringement. Respondent's letter of April, 1935, is more than a notice of infringement which may in time, unless bulwarked by some additional action, lose its potency. It is, in addition, an immutable contention by respondent of the applicability to petitioners' assembly of the well-established rule of patent law that the substitution of one well known tool of industry for another, or the substitution for an element of a patent claim of a recognized equivalent, does not avoid infringement.

At the threshold it is suggested that from the *per curiam* opinion of the Circuit Court of Appeals it appears that the District Court's judgment was affirmed for the reasons given in the opinion on which it is bottomed.

Attention is further directed to the fact that the final form of drill-bit assembly manufactured and marketed by petitioners, substantially the entire production of which was purchased by the United States government in the period between late 1942 and the filing of the declaratory judgment action, and which petitioners desire to and would continue to manufacture and sell to private industry but for the intimidating effect of said patents, is clearly within some of the claims (6 and 12 may be taken as typical) of patent 2,030,442, since the bearings I (Tr. 28) at the base of the cutter are cylindrical, and the bearings K located midway of the cutter are of the ball type. This assembly has an additional row of bearings N, but were that novel and not disclosed in the prior art it would not avoid the patent claims. Moreover, this assembly is within the claims of patent 1,983,283 (claim 3 of which may be taken as typical) if Exhibits I and K were within this patent, as asserted in effect in respondent's letter of April, 1935.

Apart from the reason given in the opinion (Tr. 41-42) for distinguishing the case at bar from *Dewey & Almy Chemical Co. v. American Anode*, which will later be discussed, the lower courts did not consider at all, in connec-

tion with the judgments in *Hughes Tool Co. v. United Machine Co.* and *Williams Iron Works Co. v. Hughes Tool Co.*, the admonition in the April, 1935, notice that consideration should be given to the "common interchangeability" of balls and rollers; nor indeed did they consider the letter of April, 1935, as an infringement notice with the subsequent act of respondent in instituting and maintaining said suits which resulted in final decrees holding the patents of Fletcher, Garfield, and Garfield and Scott to be valid. Indeed the opinion gives short shrift to said suits as an item relevant to the question of "actual controversy," apparently finding that in connection with them there would be only a difference of opinion presented on the range of a decree as it may bear "on possible future controversies."

The "omnibus" charge the opinion characterizes (Tr. 44) as nothing more than "traditional lawyer's chess." What that connotes we are not informed. Unquestionably it was a threat intended to deter petitioners from embarking upon the manufacture and marketing of structures within the scope of the claims of the patents which respondent had succeeded in having sustained in the suits aforesaid.

The remark given in the footnote of the opinion (Tr. 42) had no place in the consideration of the sufficiency of Count 3 of the complaint. The Court should not have proceeded beyond the averments of the complaint and matters of which it could take judicial notice, of which that referred to in the footnote is not one.

### Point I.

#### **The Lower Courts Have Decided An Important Question in a Way Probably in Conflict with Applicable Decisions of this Court.**

In so far as we are advised, this Court has not had occasion to determine whether an actual controversy exists under the facts averred in the complaint herein, which include, *inter alia*, the filing by a patent owner of a suit for infringe-

ment of his patent, its successful prosecution to final judgment, and a declaratory judgment action filed by a stranger to the suit who has over a period of years made and marketed an article and desires to continue so to do, which is dominated by the patent claims if the rule of law which the patent owner has advanced as applicable thereto is adopted; the patent owner maintaining a closed monopoly in respect to the invention of his patent.

The lower courts in holding that the complaint did not aver facts sufficient for establishing an actual controversy, bottomed their conclusion on this Court's decision in *Coffman v. Breeze Corporations, Inc.*, 323 U. S. 316.

The facts in that case bear no relation whatsoever to those at bar. Therein a patent owner sought to enjoin his licensee from paying accrued royalties to the government under the Royalty Adjustment Act of October 31, 1942 (35 U. S. C. 89-96). He sought an adjudication that the Royalty Adjustment Act and the orders purporting to be made in conformity to it are unconstitutional and an injunction restraining his licensee from complying with the Act and with the order by paying any part of the royalties into the Treasury or to any person other than the patentee. This Court held that the agreements between the patentee and his licensee were mere contractual obligations to pay stipulated royalties. As they accrued, the royalties became simple debts recoverable in an action at law, or under certain circumstances in a proceeding for an accounting. The Court further held that the constitutionality of the Act involved no justiciable controversy unless and until the appellant sought recovery of the royalties, and then only if the appellee relies upon the Act as a defense. Therefore it said the prayer of the bill was but a request for an advisory opinion as to the validity of a defense to a suit for the recovery of royalties. The Court not only held that the action did not present an actual controversy, but that the Court would not pass upon the constitutionality of legislation in a suit which is not adversary,

or upon the complaint of one who fails to show that he is injured by its operation, or until it is necessary to do so to preserve the rights of the parties.

We submit that no better definition of the meaning of "actual controversy" as used in the Declaratory Judgment Act is to be found than that stated by this Court in *Aetna Life Insurance Co. v. Haworth*, 300 U. S. 227, wherein the opinion below was reversed. The case did not involve a patent for an invention, or any related subject matter, but it did arise, as in the case at bar, out of the dismissal of the complaint *in limine*. In the phrase "cases of actual controversy" as found in the Declaratory Judgment Act, the Court said that the word "actual" is one of emphasis rather than of definition.

The Court further said:

"A justiciable controversy is thus distinguished from a difference, or dispute, of a hypothetical or abstract character; from one that is academic or moot. \* \* \* The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests. \* \* \* It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts."

Under this definition it is submitted that the facts averred in the complaint, which are admitted as true on the motion to dismiss, constitute a justiciable controversy.

In *Altwater v. Freeman*, 319 U. S. 359, this Court considered a counterclaim praying for a declaratory judgment that a reissue was not valid of an original patent under which the counterclaimant had been licensed. After the surrender of the original patent and the grant of the re-issue patent, the licensee had continued to pay royalty. The original bill asked for specific performance of the license agreement (the licensees not having confined themselves to the territory in which the license permitted them

to make sales), for an injunction, and for an accounting. The District Court found that the accused devices did not infringe the reissue patent; that there had been an eviction under the license agreement; that the latter terminated with the surrender of the original patent; that the royalties paid under the original patent had been paid under protest; and that the reissue patent was invalid. The Court accordingly dismissed the complaint and granted the prayer of the counterclaim. The Circuit Court of Appeals affirmed.

On rehearing the Circuit Court of Appeals held that when the District Court found no contract of license and no infringement, the other issues became moot, and there was no longer a justiciable controversy between the parties. It accordingly modified the decree.

The case was brought to this Court on a petition for certiorari, which was granted because of the apparent misinterpretation by the Circuit Court of Appeals of this Court's decision in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241.

The Court distinguished from the case last cited on the ground that there was no counterclaim involved therein and that the issue raised by the counterclaim was justiciable; that the controversy between the parties did not come to an end on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused device involved in that suit. That the payment of royalties did not make the difference or dispute one of a hypothetical or abstract character, but on the contrary, a controversy was raging which was definite and concrete, touching the legal relations of parties having adverse legal interests. That the controversy concerned the validity of the reissue patent under which petitioner was manufacturing and selling. Royalties were being paid under protest. The Court said:

"It was to lift the heavy hand of that tribute from the business that the counterclaim was filed. Unless the in-

junction decree were modified, the only other course was to defy it, and to risk not only actual but treble damages in infringement suits. \* \* \* It was the function of the Declaratory Judgment Act to afford relief against such peril and insecurity."

The judgment of the Circuit Court of Appeals was reversed.

Mr. Justice Frankfurter wrote a separate opinion. He apparently was in disagreement with the reasons for the reversal. He said:

"It may very well be that one who infringes a patent should be entitled to obtain a declaration as to its validity even though he is under no contractual obligation to pay royalties as a licensee. The existence of an invalid patent may substantially impair the economic position of those who market articles which infringe such a patent, even though no infringement suits may be immediately threatened. Potential purchasers may naturally be reluctant to establish business relations upon so insecure a basis."

### Point II.

**An Important Question of Federal Law Has Been Decided by the Circuit Court of Appeals in a Way Probably in Conflict with Decisions of Other Circuit Courts of Appeals and with Its Own Earlier Decisions, Which Question Has Not Been But Should Be Settled by this Court.**

As appears from the opinion (Tr. 41-46) of the Court below, no effect was given to the April 1935 notice, the January 1939 notice, the omnibus notice of 1942, or the final judgments obtained by respondent against United Machine Co. (35 F. Supp. 879) and William Iron Works Co. (109 Fed. 2d. 500) as items for establishing an actual controversy between petitioners and the respondent, and, indeed, the lower Court has held inapplicable its own decision in *Dewey & Almy Chemical Co. v. American Anode*, 137 Fed.

(2d) 68, asserting that an "extraordinary licensing program which the patent-holder was forcing on the industry" (Tr. 44) was an essential thereof. It said (Tr. 45) that the patent owner was enforcing an "'or-else' doctrine which euphemistically suggested: 'You may take a license or not; it is purely mandatory' ", whereas in the case at bar the patent owner held his patent in a closed monopoly; he granted no licenses under his patents.

We suggest that there is no precedent for treating a patent owner asserting under his patent a monopoly coextensive with the plain and simple terms of the patent claims, who institutes and prosecutes to a successful conclusion patent infringement suits against some of his competitors and who grants no licenses, or otherwise brooks competition with himself, more favorably on a motion to dismiss the complaint in a declaratory judgment action than a patentee who invites competition by granting licenses although their terms may seem harsh.

In *E. W. Bliss Co. v. Cold Metal Process Co.*, 102 Fed. (2d) 105, the Circuit Court of Appeals for the Sixth Circuit said that one of the purposes of the Declaratory Judgment Act was:

"to provide a remedy to the challenger of a right the assertion of which injures him, yet who prior to the enactment of the statute was unable to secure an adjudication of his challenge until his adversary took the initiative. It is not to be assumed that the right of challenge is lost when the challenger invites and awaits expected enforcement of the asserted right."

We submit that if the question between a patent owner and a putative infringer is sufficiently real and concrete as to the questions of validity and infringement to warrant a patent infringement suit, it is likewise sufficient to maintain a suit under the Declaratory Judgment Act.

It has never been suggested in the case at bar that Hughes could not at any time he elected have instituted a patent infringement suit on his patents here in question

against petitioners and obtained therein the full benefit of his letter of April 1935,<sup>1</sup> and of the final judgments in the suits aforesaid and, as to all of the patents which were adjudicated, the benefit of the omnibus notice.

The mere issuance of a patent is *ipso facto* notice thereof to the public (*Wine Ry. Appliance Co. v. Enterprise Ry. Equipment Co.*, 297 U. S. 387). We suggest that such grant alone is sufficient to establish an actual controversy between the patent owner and one making, using, or selling articles probably within the purview of the patent. This view it is unnecessary to press, in order to justify petitioners' position at bar. However, when that notice by operation of law upon the patent issuance is followed by a written notice which gives the rule of law which the patent owner will advance in asserting infringement of his patent, and that is followed in a short period with suits against other competitors in which the patents are found to be valid and infringed, such written notice and suits taken together are, we submit, sufficient for establishing an actual controversy.

In *Reliance Life Ins. Co. v. Burgess*, 112 Fed. (2d) 234, the Circuit Court of Appeals for the Eighth Circuit held that the Declaratory Judgment Act "should be liberally construed". We submit that the Courts below herein did not do this but in distinguishing this case from the *Dewey & Almy* case, construed it most illiberally.

In *Crowell v. Baker Oil Tools*, 143 Fed. (2d) 1003, the Circuit Court of Appeals for the Ninth Circuit in reversing the judgment of the District Court said:

"Appellant's making of the several infringing devices and his intent to cause the production of more, evidenced by his understanding with a friendly company to supply him with the necessary material [petitioners at bar had the equipment and materials ~~for~~ from ~~continuing~~ the manufacture for and sale to the United

<sup>1</sup> And of the 1939 notice in respect to the Fletcher Patent.

States Government which took place from late in 1942 up to the time of the filing of the declaratory judgment action], are sufficient to invoke the right to sue the patent owner under the Declaratory Judgment Act. The purposes of that act are best served if a four-time infringer or a one-time infringer intending to challenge the validity of the patent, does not commit the economic waste of building or engaging another to build a plant to manufacture the alleged patented device before having determined the validity of the patent."

As a final word, we submit that the distinction which the courts below made between the present case and *Dewey & Almy Chemical Co. v. American Anode, supra*, is wholly untenable and at variance with the decisions of other Circuit Courts of Appeals.

The effect of the decisions below is to permit respondent to prevent further suits <sup>involving</sup> ~~under~~ its patents; indeed to prevent suits being brought in the District of Delaware of which it is a resident, and to hold its sustained patents in terrorem over the petroleum drilling industry, notwithstanding it is clear that under established rules of patent law patents 1,983,283 and 2,030,442, at least, would be found invalid in that district in any action involving validity and determined upon that issue.

For the reasons stated, it is submitted that the Circuit Court of Appeals erred in imposing the limitation it did on the Declaratory Judgment Act, and in not giving proper consideration to the adjudications of respondent's patents, the reports thereof which have had wide circulation, and respondent's assertion as to the rule of law applicable in comparing the cutter anti-friction arrangement of respondent's patents and that embodied in petitioners' product.

The Circuit Court of Appeals for the Third Circuit in *Continental Collieries v. Shober*, 130 Fed. 2d 631, said:

" \* \* \* there is no justification for dismissing a complaint for insufficiency of statement, except where it

appears to a certainty that the plaintiff would not be entitled to relief under any state of facts which could be proved in support of the claim."

Respectfully,

WILLIAM F. HALL,  
WILLIAM S. POTTER,  
*Attorneys for Petitioners.*

RAYMOND G. MULLEE,  
*Of Counsel.*